

REAL ESTATE WEEKLY

Vol. 48, No. 48

WEDNESDAY, JUNE 19, 2002

Energy reform discussed by panel

New Yorkers currently pay about \$1 billion per year, approximately \$.25 per SF, in additional energy costs representing an ICAP fee or the Installed Capacity deficiency charge. The fee's initial purpose was to help ensure that NYC has enough local power plant capacity to limit potential blackouts to less than 1 day in 10 years. The fee was meant to encourage reserve power supplies to lower market volatility and add incentive for the construction of new generation plants. But since the inception of the fee, no new significant private generation plants have emerged. And, with NYC's increasing power demand, many are questioning the success or failure of the ICAP mission.

As a result of the growing controversy, the New York Energy Buyers Forum sponsored a panel discussion in early June entitled, "Ensuring Reliability Through ICAP: To Reform or Not to Reform?" The forum included presentations from five panelists covering the positions of the Federal Energy Regulatory Commission, generation owners, and power marketers, as well as investors and end-users. The presentations were followed by a panel discussion and moderated by Judith Mondre, executive director of the NYEBF. The panelists included Derek Bandera of FERC; Stephen Wemple, director of retail and regulatory affairs for Con Edison Energy; Jeffrey Wolinsky, CFA director for Standard and Poors; Strategic Energy's Michael Swider, and, finally NYEBF founder and president of Energywiz, Lindsay Audin.

FERC representative, Derek Bandera,

began his presentation with a discussion of FERC's recently published paper, detailing how to ensure sufficient energy reserves through alterations to FERC's standard market design. Bandera strongly encouraged use of the option contracts obligation and curtailment plans to ease shortage concerns. He also stressed that it is important to remember that NYC is setting the standard for this country in terms of capacity shortage and related issues. He noted that the system may not be working perfectly, but fine-tuning could be all that is needed.

Wemple, an advocate of ICAP and its continuance, also contended that the system was not working well, and reiterated very strongly that the system's failures should be addressed as soon as possible. He emphasized the problem and its importance in light of the fact that power reliability has only been maintained for the last nine months as a result of newly installed NYPA generators.

Wolinsky summarized the current position of potential generation investors and what it would take for them to provide support for the construction of new plants. He explained that existing ICAP incentives to build generation plants are not enough to begin with, but have been further derailed by lack of confidence in industry investing due to the Enron scandal and the economy downturn. Wolinsky emphasized that without a guaranteed profit marked by less volatile pricing no investors would come forward.